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***ECONOMIC  
INVESTMENT  
TRUST  
LIMITED***



Forty-Fourth  
**ANNUAL REPORT**  
December 31, 1970



## ECONOMIC INVESTMENT TRUST LIMITED

44 King Street West, Toronto 1, Ontario

### DIRECTORS AND OFFICERS

A. BRUCE MATTHEWS, C.B.E., D.S.O.	<i>Chairman of the Board</i>
LAWRENCE W. SKEY, D.F.C.	<i>Managing Director</i>
HENRY N.R. JACKMAN	<i>Director</i>
FREDERICK W.P. JONES	<i>Director</i>
GRAHAM MORROW, O.B.E.	<i>Director</i>
ROBERT W. INGLIS, C.A.	<i>Secretary-Treasurer</i>

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HEAD OFFICE	<i>44 King Street West, Toronto, Ontario</i>
SHARES LISTED	<i>Toronto Stock Exchange</i>
BANKERS	<i>Canadian Imperial Bank of Commerce</i>
AUDITORS	<i>Clarkson, Gordon &amp; Co.</i>
TRANSFER AGENT AND REGISTRAR	<i>Canada Permanent Trust Company</i>





## DIRECTORS' REPORT TO THE SHAREHOLDERS

*To be presented at the Forty-Fourth Annual Meeting to be held on March 5, 1971.*

### NET ASSET VALUE

*Net Asset Value per common share at December 31, 1970 amounted to \$18.69. This represents a decline of 7.6% from the comparable figure of \$20.22 per share at December 31, 1969. A schedule comparing the Trust's performance with those of The Toronto Stock Exchange industrial index and the Dow-Jones industrial average is set out below.*

#### Annual Increase or (Decrease)

	<u>Economic</u>	<u>T.S.E.</u>	<u>Dow-Jones</u>
1970	(7.6%)	(6.3%)	4.8%
1969	(6.5 )	(1.6 )	(15.2 )
1968	24.4	16.4	4.3
1967	24.9	9.9	15.1

*Full details of the Trust's investment portfolio and a financial summary covering the life of the Company are set out in this Annual Report.*

### EARNINGS AND DIVIDENDS

*Net income available for the common shares (after providing for dividends on the preferred shares) amounted to \$557,159 or 54 cents per share. For 1969 the comparable figures were \$518,281 or 50 cents per share.*

*The increase in net income was largely attributable to the fact that during a considerable part of 1970 the Trust had substantial amounts on term deposit earning historically high rates of interest. These interest rates have declined in recent months and your Directors do not anticipate that interest income in 1971 will make a similar contribution to earnings.*

### OUTLOOK FOR 1971

*The monetary and fiscal restraints imposed in 1969 continued through most of 1970. During the last quarter, the gradual easing in the monetary area became evident and produced quite dramatic effects on the bond market and interest rate structure.*

*In addition North American equity markets finished the year with a strong upsurge recording a significant recovery from the lows of May, 1970.*

*We enter 1971 with the same trends in evidence*

*and it is interesting to note that the buoyancy in security markets comes at a time when diminishing profit margins are showing the effects of two years of restraint accompanied by escalating costs.*

*The distinct easing of credit and injection of new money into the system which is now evident will have its effect later in 1971 but will not have a major impact on corporate earnings until next year. Much can happen during the waiting period. Meanwhile the emphasis on the quality and mix of the investment portfolio will continue to be of prime concern to management.*

### SAVINGS AND RETIREMENT PLANS

*We again wish to call attention to the Trust's Dividend Reinvestment Plan, under which common shareholders may add to their investment at regular intervals.*

*Also available is the Economic Investment Trust Retirement Savings Plan, approved by the Department of National Revenue. The value of either preferred or common shares of the Trust deposited with the Trustee for the Plan is deductible from an individual's taxable income. Payments into a Plan on account of the 1970 taxation year can be made until February 28, 1971.*

*Further information regarding the above plans is available at the Head Office of the Trust.*

### R. COULTON BERKINSHAW, C.B.E., Q.C., LL.D

*It is with regret that we record the death of our friend and long-time Director, Dr. R.C. Berkinshaw. His was indeed a distinguished career to which he added devoted interest in many charitable, educational and cultural institutions. The Trust was the beneficiary of his talents and personality for almost twenty-six years. The loss of this outstanding Canadian is felt, not only by his colleagues, but by many others whose lives he touched in his long and illustrious career.*

*On behalf of the Board.*

*A. BRUCE MATTHEWS, Chairman.*

*Toronto, Canada.*

*February 17, 1971.*

# ECONOMIC INVESTMENT TRUST LIMITED

(Incorporated under the laws of Canada)

## BALANCE SHEET

### ASSETS

	<u>December 31</u>	
	<u>1970</u>	<u>1969</u>
Investments at market value (notes 1 and 3) . . . . .	\$23,562,931	\$26,116,556
(Cost—1970-\$18,289,201; 1969-\$19,021,958)		
Cash and short-term deposit receipts . . . . .	<u>1,115,563</u>	<u>                    </u>
	<u>\$24,678,494</u>	<u>\$26,116,556</u>

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### Liabilities:

Due to bank (note 3) . . . . .		\$ 148,898
Due to brokers for securities purchased . . . . .	\$ 300,545	14,561
Accounts payable and accrued charges . . . . .	3,949	2,839
Income taxes payable . . . . .	8,409	7,643
	<u>312,903</u>	<u>173,941</u>

#### Shareholders' Equity:

##### Share Capital —

##### Authorized:

196,405 preferred shares of \$50 par value  
(exclusive of 3,595 shares redeemed)

2,500,000 common shares of no par value

##### Issued:

96,405 5% cumulative preferred shares Series A,  
redeemable at \$52.50 . . . . .

1,032,940 common shares . . . . .

##### Surplus —

Contributed surplus (*no change in year*) . . . . .

Earned surplus . . . . .

Accumulated surplus on sale of investments . . . . .

Unrealized appreciation of investments . . . . .

Total shareholders' equity . . . . .

\$24,678,494    \$26,116,556

On behalf of the Board:

A. BRUCE MATTHEWS,                      Director  
LAWRENCE W. SKEY,                      Director

(See accompanying notes)



# ECONOMIC INVESTMENT TRUST LIMITED

## STATEMENTS OF REVENUE AND EXPENSES AND EARNED SURPLUS

For the years ended December 31

	<u>1970</u>	<u>1969</u>
REVENUE AND EXPENSES		
Revenue Received:		
Dividends from taxable Canadian corporations . . . . .	\$ 761,875	\$ 714,519
Dividends from other corporations . . . . .	33,200	73,021
Interest . . . . .	89,175	58,030
	<u>884,250</u>	<u>845,570</u>
Expenses:		
Administrative expenses . . . . .	28,471	26,973
Directors' fees and salaries . . . . .	20,161	17,550
Bank charges (including interest) . . . . .	1,786	2,690
Transfer agent's and auditors' fees . . . . .	6,660	8,482
Legal fees . . . . .	1,000	581
	<u>58,078</u>	<u>56,276</u>
Profit before income taxes . . . . .	826,172	789,294
Income taxes . . . . .	28,000	30,000
Net Profit for Year (per common share: 1970 - \$0.54; 1969 - \$0.50) . . .	<u>\$ 798,172</u>	<u>\$ 759,294</u>
EARNED SURPLUS		
Balance at beginning of year . . . . .	\$ 605,747	\$ 562,618
Add net profit for year . . . . .	798,172	759,294
	<u>1,403,919</u>	<u>1,321,912</u>
Deduct:		
Dividends paid on—preferred shares (\$2.50 per share) . . . . .	241,013	241,013
common shares (\$0.46 per share) . . . . .	475,152	475,152
	<u>716,165</u>	<u>716,165</u>
Balance at end of year . . . . .	<u>\$ 687,754</u>	<u>\$ 605,747</u>

Note: Included in earned surplus in 1969 and 1970 is capital surplus arising under Section 61 of the Canada Corporations Act amounting to \$152,854 (no change during either year).

(See accompanying notes)

# ECONOMIC INVESTMENT TRUST LIMITED

## STATEMENTS OF ACCUMULATED SURPLUS ON SALE OF INVESTMENTS, UNREALIZED APPRECIATION OF INVESTMENTS AND CHANGES IN NET ASSETS

For the years ended December 31

	<u>1970</u>	<u>1969</u>
ACCUMULATED SURPLUS ON SALE OF INVESTMENTS		
Balance at beginning of year . . . . .	\$8,718,854	\$7,552,343
Net surplus on securities sold . . . . .	<u>161,837</u>	<u>1,166,511</u>
Balance at end of year . . . . .	<u>\$8,880,691</u>	<u>\$8,718,854</u>
UNREALIZED APPRECIATION OF INVESTMENTS		
Balance at beginning of year . . . . .	\$7,094,598	\$9,754,298
Net decrease for year . . . . .	<u>( 1,820,868)</u>	<u>( 2,659,700)</u>
Balance at end of year . . . . .	<u>\$5,273,730</u>	<u>\$7,094,598</u>
CHANGES IN NET ASSETS		
Net assets at beginning of year . . . . .	<u>\$25,942,615</u>	<u>\$27,392,675</u>
Additions:		
Net surplus on securities sold . . . . .	161,837	1,166,511
(proceeds of sales — 1970 - \$5,163,617; 1969 - \$7,761,851)		
Net profit for year . . . . .	<u>798,172</u>	<u>759,294</u>
	<u>960,009</u>	<u>1,925,805</u>
Deductions:		
Decrease in unrealized appreciation of investments . . . . .	1,820,868	2,659,700
Dividends paid—on preferred shares . . . . .	241,013	241,013
—on common shares . . . . .	<u>475,152</u>	<u>475,152</u>
	<u>2,537,033</u>	<u>3,375,865</u>
Net decrease for year . . . . .	<u>( 1,577,024)</u>	<u>( 1,450,060)</u>
Net assets at end of year . . . . .	<u>\$24,365,591</u>	<u>\$25,942,615</u>
(See accompanying notes)		



## ECONOMIC INVESTMENT TRUST LIMITED

### NOTES TO FINANCIAL STATEMENTS

December 31, 1970

1. The company's investments are stated at market value at December 31, 1970 to facilitate the computation of net asset value on a market basis at that date. In the accounts of the company, however, investments are stated at cost and not adjusted for fluctuations in market value.
2. Foreign currency amounts included in the financial statements have been stated in Canadian dollars as follows:
  - (a) Market value of investment securities, other assets and liabilities — at the rate of exchange at December 31, 1970.
  - (b) Purchases and sales of investment securities, revenue and expenses — at the approximate rate of exchange prevailing when the transactions giving rise to such items occurred.
3. Bank loans of the company outstanding from time to time are secured by hypothecation of the company's investments.

### AUDITORS' REPORT

To the Shareholders of

Economic Investment Trust Limited:

We have examined the balance sheet and investment portfolio of Economic Investment Trust Limited as at December 31, 1970 and the statements of revenue and expenses, earned surplus, accumulated surplus on sale of investments, unrealized appreciation of investments and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Securities owned at December 31, 1970 were verified by confirmation received directly either from the custodian or from brokers in respect of securities purchased but not received.

In our opinion these statements present fairly the financial position and investment portfolio of the company as at December 31, 1970 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
January 20, 1971.

CLARKSON, GORDON & CO.  
Chartered Accountants.

**ECONOMIC INVESTMENT TRUST LIMITED**  
**INVESTMENT PORTFOLIO AS AT DECEMBER 31, 1970**

**DEBENTURES (1.56% of net assets)**

	Par Value	Market Value
Kaps Transport Ltd. 9-1/2% Series 'B' Secured Debentures due March 1, 1975 with warrants attached . . . . .	\$ 200,000	\$ 190,000
Paragon Properties Ltd. 8% Series 'A' Sinking Fund Debentures due February 15, 1979 with common shares attached . . . . .	\$ 160,000	189,600
		<u>\$ 379,600</u>

**PREFERRED SHARES (3.59% of net assets)**

	Number of Shares	
Argus Corporation Ltd. Class 'C' Participating . . . . .	50,000	\$ 443,750
Canadian Pacific Railway Co. 4% non-cumulative —units of 5 shares of \$3 par value . . . . .	40,000	365,000
—units of 5 shares of £1 par value . . . . .	10,000	65,000
		<u>\$ 873,750</u>

**COMMON AND CONVERTIBLE PREFERRED SHARES (91.56% of net assets)**

<b>BANKS (12.72% of net assets)</b>		
Bank of Nova Scotia . . . . .	50,000	\$1,100,000
Canadian Imperial Bank of Commerce . . . . .	50,000	1,000,000
Toronto-Dominion Bank . . . . .	50,000	1,000,000
		<u>\$3,100,000</u>

<b>COMMUNICATIONS (1.44% of net assets)</b>		
Standard Broadcasting Corp. Ltd. . . . .	29,000	<u>\$ 351,625</u>

<b>FINANCIAL AND INSURANCE (12.80% of net assets)</b>		
Canada Permanent Mortgage Corp. . . . .	17,000	\$ 187,000
E-L Financial Corp. Ltd. Conv. Pref. . . . .	67,500	810,000
E-L Financial Corp. Ltd. . . . .	70,000	463,750
Metropolitan Trust Company . . . . .	15,000	232,500
Reed Shaw Osler Limited . . . . .	3,000	58,875
United Canadian Shares Ltd. . . . .	10,000	305,000
Victoria & Grey Trust Company . . . . .	50,000	1,062,500
		<u>\$3,119,625</u>

COMMON AND CONVERTIBLE PREFERRED SHARES (Continued)

	Number of Shares	Market Value
<b>FOOD, BEVERAGE AND TOBACCO (12.46% of net assets)</b>		
Bright & Co. Ltd., T.G. . . . .	60,000	\$ 922,500
Crush International Limited . . . . .	25,000	368,750
Distillers Corp.-Seagrams Ltd. . . . .	16,000	800,000
General Bakeries Ltd. . . . .	25,000	90,000
Rothmans of Pall Mall Canada. Conv. Cum. Red. 2nd Pref. . . . .	15,000	262,500
Walker-Gooderham & Worts Ltd., Hiram . . . . .	15,000	592,500
		<u>\$3,036,250</u>
<b>GENERAL MANUFACTURING (3.07% of net assets)</b>		
Avco Corporation \$3.20 Cum. Conv. Pref. . . . .	7,000	\$ 270,427
International Business Machines Corporation . . . . .	1,000	320,927
Microsystems International Limited . . . . .	30,000	157,500
		<u>\$ 748,854</u>
<b>HEAVY INDUSTRY (5.10% of net assets)</b>		
Boeing Company . . . . .	3,000	\$ 43,178
Dominion Foundries & Steel Ltd. . . . .	20,000	477,500
Slater Steel Industries Limited . . . . .	25,000	318,750
Steel Co. of Canada Ltd. . . . .	15,000	403,125
		<u>\$1,242,553</u>
<b>METALS AND MINING (13.68% of net assets)</b>		
Cassiar Asbestos Corporation Ltd. . . . .	30,000	\$ 705,000
Hillcrest Collieries Limited . . . . .	5,000	67,500
Hollinger Mines Ltd. . . . .	20,000	730,000
International Nickel Co. of Canada Ltd. . . . .	15,000	684,375
Kerr Addison Mines Limited . . . . .	25,000	231,250
Noranda Mines Ltd. . . . .	10,000	290,000
Northgate Exploration Ltd. . . . .	20,000	180,000
Placer Development Ltd. . . . .	10,000	315,000
Sullivan Mining Group Ltd. . . . .	28,000	130,200
		<u>\$3,333,325</u>



# COMMON AND CONVERTIBLE PREFERRED SHARES (Continued)

	Number of Shares	Market Value
PETROLEUM AND PIPELINES (12.44% of net assets)		
Canadian Industrial Gas & Oil Ltd. 5-1/2% Conv. Pref. . . . .	10,000	\$ 290,000
General Products Mfg. Corp. Ltd. 'A' . . . . .	10,000	463,750
Home Oil Company Limited 'A' . . . . .	15,000	408,750
Interprovincial Pipe Line Co. . . . .	30,000	832,500
Shell Investments Ltd. 1st Preference (Exchangeable) . . . . .	17,500	592,812
Supertest Petroleum Corp. Ltd., ordinary . . . . .	10,000	442,500
		<u>\$3,030,312</u>
PRINTING AND PUBLISHING (4.28% of net assets)		
Moore Corporation Ltd. . . . .	30,000	<u>\$1,042,500</u>
PUBLIC UTILITIES (7.88% of net assets)		
Bell Canada \$3.20 Conv. Pref. . . . .	6,000	\$ 322,500
Bell Canada . . . . .	9,500	445,312
British Columbia Telephone Company . . . . .	13,500	864,000
Consumers' Gas Co. . . . .	15,000	286,875
		<u>\$1,918,687</u>
TRANSPORTATION (3.19% of net assets)		
Canadian Pacific Railway Co. . . . .	10,000	\$ 683,750
Kaps Transport Ltd. . . . .	10,000	92,500
		<u>\$ 776,250</u>
MISCELLANEOUS (2.50% of net assets)		
Koffler Stores Ltd. . . . .	20,000	\$ 200,000
Noel Mutual Fund Ltd. . . . .	1,400	186,018
Scudder North America Fund Ltd. . . . .	25,000	214,250
Sundry securities . . . . .		9,332
		<u>\$ 609,600</u>
TOTAL COMMON AND CONVERTIBLE PREFERRED SHARES . . . . .		<u>\$22,309,581</u>

## SUMMARY

	Market Value	% of Net Assets
Debentures . . . . .	\$ 379,600	1.56%
Preferred shares . . . . .	873,750	3.59
Common and convertible preferred shares . . . . .	22,309,581	91.56
Cash and cash items (net) . . . . .	802,660	3.29
TOTAL NET ASSETS . . . . .	<u>\$24,365,591</u>	<u>100.000%</u>
(See accompanying notes)		

# ECONOMIC INVESTMENT TRUST LIMITED

## Financial Record - 1928-1970

Year Ending March 31	Gross Income	Bond and Debenture Interest	Expenses	Income Taxes	Net Income	Total Net Assets	Funded Debt and Preferred Share†	Available for Common Shares	Common Shares Outstanding*	Asset Value per Common Share*
1928	\$106,907	\$20,742	\$24,968	\$ 1,361	\$ 59,836	\$ 1,794,643	\$1,000,000	\$ 794,643	\$ 403,125	\$ 1.97
1933	98,327	48,664	12,562	563	36,538	1,161,715	962,500	199,215	499,062	0.40
1938	157,194	48,216	16,507	3,090	89,381	2,028,005	1,000,000	1,028,005	499,062	2.06
1943	156,515	50,000	15,884	11,079	79,552	2,604,866	1,000,000	1,604,866	499,062	3.22
1948	157,877	30,000	17,823	—	110,054	3,522,969	1,000,000	2,522,969	500,000	5.05
Year Ending Dec. 31										
1953	276,684	37,500	29,782	19,500	189,902	5,197,984	1,250,000	3,947,984	625,000	6.32
1959	398,300	97,400	34,307	16,000	250,593	11,125,566	2,920,000	8,205,566	760,000	10.74
1960	431,706	95,955	38,137	18,000	279,614	11,462,158	2,902,500	8,559,658	762,185	11.19
1961	489,840	84,910	36,670	20,000	348,260	15,222,286	2,509,500	12,712,786	969,855	13.09
1962	548,028	65,025	42,276	13,000	427,727	15,959,654	4,100,000	11,859,654	1,032,940	11.48
1963	614,170	60,000	44,780	14,000	495,390	17,633,299	4,100,000	13,533,299	1,032,940	13.10
1964	678,595	—	51,437	11,000	616,158	20,955,088	5,250,000	15,705,088	1,032,940	15.20
1965	762,143	—	50,255	8,000	703,888	21,897,735	5,250,000	16,647,735	1,032,940	16.12
1966	800,963	—	50,241	13,500	737,222	19,613,106	5,250,000	14,363,106	1,032,940	13.91
1967	858,076	—	50,304	19,000	788,772	23,076,097	5,128,462	17,947,635	1,032,940	17.38
1968	805,538	—	53,715	19,000	732,823	27,392,675	5,061,263	22,331,412	1,032,940	21.62
1969	845,570	—	56,276	30,000	759,294	25,942,615	5,061,263	20,881,352	1,032,940	20.22
1970	884,250	—	58,078	28,000	798,172	24,365,591	5,061,263	19,304,328	1,032,940	18.69

† Preferred Shares at redemption price of \$52.50 per share.

\* Adjusted for 5-for-2 split in 1951 and 5-for-1 split in 1963.









**AR51**

**ECONOMIC INVESTMENT TRUST  
LIMITED**

**Toronto 1, Canada**

**Report for the Six Months  
Ended June 30, 1970  
(unaudited)**



# ECONOMIC INVESTMENT TRUST LIMITED

## CONDENSED COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the Six months Ended June 30

	<u>1970</u>	<u>1969</u>
Profit before income taxes .....	\$ 385,916	\$ 368,213
Provision for income taxes .....	9,000	10,000
Net profit for the period .....	<u>\$ 376,916</u>	<u>\$ 358,213</u>
Per preferred share .....	\$3.91	\$3.72
Per common share .....	0.25	0.23

## COMPARATIVE STATEMENT OF CHANGES IN NET ASSETS

For the Six months Ended June 30

	<u>1970</u>	<u>1969</u>
Net assets at beginning of period .....	\$25,942,615	\$27,392,675
Additions:		
Net surplus on investments sold .....	\$ 44,373	\$ 1,201,681
Net profit for period .....	376,916	358,213
	<u>\$ 421,289</u>	<u>\$ 1,559,894</u>
Deductions:		
Decrease in unrealized appreciation of investments .....	\$ 5,507,426	\$ 2,830,748
Dividends paid —		
On preferred shares .....	120,506	120,506
On common shares .....	206,588	206,588
	<u>5,834,520</u>	<u>3,157,842</u>
Net decrease for period .....	(5,413,231)	(1,597,948)
Net assets at end of period .....	<u>\$20,529,384</u>	<u>\$25,794,727</u>
Net asset value per share —		
Preferred .....	213.00	268.00
Common .....	14.97	20.07

A. Bruce Matthews,  
Chairman